BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

I.

OPINIONS OF THE COURTS BELOW

The opinions of the District Court consist of the report of a Special Master (357) and the oral opinion of the District Judge (394). On June 6, 1941, the Circuit Court of Appeals for the Sixth Circuit entered an order (409) affirming the decree upon the grounds and for the reasons set forth in the opinion of the District Judge.

II.

JURISDICTION

Jurisdiction is invoked under Section 240(a) of the Judicial Code, as amended by Act of February 13, 1925, 43 Stat. 938.

The decision of the Circuit Court of Appeals was entered on June 6, 1941.

III.

STATEMENT OF THE CASE

The statement of facts contained in the "Summary Statement of the Matters Involved" in the accompanying petition for writ of certiorari, together with the facts recited in the report of the Special Master (357), is considered a sufficient statement for the purpose of this brief.

IV.

SPECIFICATION OF ERRORS

The errors in the decision of the Circuit Court of Appeals which are relied upon by the petitioner in this case are set out in the statement of "Reasons Relied upon for Allowance of the Writ" in the accompanying petition for writ of certiorari. The petitioner will rely upon and urge before this Court all the errors therein assigned and which are hereby adopted and made a part of this brief.

V.

ARGUMENT

1. The decision of the Circuit Court of Appeals conflicts with the decisions of other Circuit Courts of Appeals on the same subject.

The decree of the Court (391) prohibiting petitioner from advertising and selling men's clothing under its corporate name deprives petitioner of the good will attaching to that name. This good will was built up over a period of thirty years, during which time petitioner has spent hundreds of thousands of dollars in newspaper advertising. The suggestion in the decree that petitioner would not be deemed to violate the injunction if it changed its name so that the word "Finsterwald" would not be dominant, would if adopted result in the actual destruction of its good will.

The provision in the decree that unless petitioner's name is changed, petitioner's men's clothing department must be advertised at all times as a separate store under a separate and distinct firm name in which the word "Finsterwald" is not included and that the name "Finsterwald" must be omitted from all advertisements of men's clothing, results in a complete loss to the clothing department of the petitioner of the good will attaching to its corporate name.

The provision in the decree restraining the petitioner under any circumstances from using its own show windows for the display of men's clothing deprives it of one of the most effective and proved business practices of inviting the interest of the public in merchandise offered for sale in a retail establishment.

No Circuit Court of Appeals has ever deprived a person of the right to use his own name, expressly found

to be used in good faith because it might be a factor in competitive rivalry for trade. Yet this is essentially the ground upon which the proprietary right of the petitioner *to its own good will* attaching to its own name has been extinguished. No fraudulent intent, no desire to "pass off" or any improper or unethical purpose has been found. No criticism has been made of the *manner of use.* The respondent simply objects to the use of the name at all in the sale of men's clothing. Its objection and that of the trial court is that such will operate competitively. The trial court finds that an intention on the part of the petitioner to take business from the respondent must be inferred because "a person is presumed to intend the natural consequences of his act" (403). Even if this conclusion were based on fact such reasoning is strange to the law of unfair competition:

> "One who causes loss of business or occupation to another merely by engaging in a business or occupation in good faith is not liable to the other for the loss so caused, though he knows that the loss will result." *Restatement of the Law on Torts,* Volume III, page 519, Section 708.

Petitioner's right to carry on business in a free market involving open competition for good will and profit ought not to be impaired by the claimed monopolistic privilege of respondent to the use of the name "Finsterwald" in connection with the sale of clothing. This Court has had occasion to discuss such a situation in *Kellogg Company v. National Biscuit Co.,* 305 U. S. 111, 83 L. Ed. 73, involving the sale of shredded wheat biscuits. Mr. Justice Brandeis writing for this Court said:

> "Kellogg Company is undoubtedly sharing in the good will of the article known as 'Shredded Wheat;' and thus is sharing in a market which was

> created by the skill and judgment of plaintiff's predecessor and has been widely extended by vast expenditures in advertising persistently made. But that is not unfair. Sharing in the good will of an article unprotected by patent or trade-mark is the exercise of a right possessed by all—and in the free exercise of which the consuming public is deeply interested. There is no evidence of passing off or deception on the part of the Kellogg Company; and it has taken every reasonable precaution to prevent confusion or the practice of deception in the sale of its product."

There is evidence of some confusion in the minds of the public if both parties were to sell men's clothing. But this confusion must not propel a discrimination against the petitioner in the lawful use of its own name.

Unfair competition does not exist "where the only confusion in the minds of the public as to the origin of the product results from the similarity in names, and not from the manner of their use." *Fidelity Bond and Mortgage Co. v. Fidelity Mortgage Co.*, 12 Fed. (2d) 582 (Sixth Circuit), citing *Howe Scale Co. v. Wyckoff, et al.*, 198 U. S. 118, 25 S. Ct. 609, 49 L. Ed. 972.

There is no claim in this case that the petitioner is attempting to pass off its goods as the goods of the respondent. The name of the petitioner was not assumed by it for the purpose of deception or for the purpose of creating a confusion which would redound to its benefit. Petitioner has been a going business concern in the City of Detroit for more than a quarter of a century and owes respondent no duty to protect it from competition. Neither is respondent entitled to a monopoly in the use of the name "Finsterwald" for the sale of clothing. Petitioner has not used its name in a manner resulting in unfair competition for the respondent and the latter is entitled to no relief whatsoever.

Fidelity Bond and Mortgage Co. v. Fidelity Mortgage Co., supra; W. & H. Walker, Inc., v. Walker Bros Co., 271 Fed. 395, (Cert. Den.) 256 U. S. 702.

At its best, because the sale of clothing by petitioner came later in point of time, respondent's case may be compared with the class of cases in which a newcomer, *legitimately* using a name similar to another already in the field, offers competition to the latter. There then arises what has been termed "the duty to explain." While petitioner does not consider the situation comparable, it has offered to adopt the practices described above in order to meet this duty if the Court should consider it necessary.

This Court said in *L. E. Waterman Co. v. Modern Pen Company,* 235 U. S. 89, 94; 59 L. Ed. 142, 146:

> "* * * it now is established that when the use of his own name upon his goods by a later competitor will and does lead the public to understand that those goods are the product of a concern already established and well known under that name, and when the profit of the confusion is known to, and if that be material, is intended by, the later man, the law will require him to take reasonable precautions to prevent the mistake."

In accordance with this pronouncement by this Court, which has been followed by the Circuit Courts of Appeals, petitioner offered to adopt the business practices enumerated in the accompanying petition. This offer goes far beyond any practices ordered in any reported case in this country.

The rights of the parties involved in a situation such as exists in the case at bar have been set forth in the following cases decided by this Court and by Circuit Courts of Appeals of other circuits, all of which are in conflict with the decision of the Court below in this case.

In *Herring-Hall-Marvin Safe Co. v. Hall's Safe Co.*, 208 U. S. 554, 52 L. Ed. 616, it was said:

> "The principle of the duty to explain is recognized in *Howe Scale Co. v. Wyckoff, Seamans & Benedict*, 198 U. S. 118; 49 L. Ed. 972; 25 Sup. Ct. Rep. 609. It is not confined to words that can be made a trade-mark in a full sense. The name of a person or a town may have become so associated with a particular product that the mere attaching of that name to a similar product, without more, would have all effect of a falsehood • • • An absolute prohibition against using the name would carry trade-marks too far. Therefore the rights of the two parties have been reconciled by allowing the use, provided that an explanation is attached (citing cases). Of course, the explanation must accompany the use, so as to give the antidote with the bane."

As to the decree to be entered in that case, the court said:

> "It should forbid the use of the name 'Hall' either alone or in combination, in corporate name, on safes, or in advertisements, unless accompanied by information that the defendant is not the original Hall's Safe & Lock Company or its successor, or, as the case may be, that the article is not the product of the last-named company or its successors. With such explanations the defendants may use the Halls' name, and, if it likes, may show that they are sons of the first Hall and brought up in their business by him, and otherwise may state the facts."

In *John B. Stetson Co. v. Stephen L. Stetson Co.*, 85 Fed. Rep. (2d) 586, the Circuit Court of Appeals of the Second Circuit found that the competition actually offered by the defendant was unfair but did not enjoin the defendant's use of its own name in the sale of hats. It did, however,

lay down reasonable conditions under which competition could continue, and did not grant the plaintiff a monopoly in the use of the name "Stetson" notwithstanding plaintiff's prior use of that name in the sale of hats.

In *Horlick's Malted Milk Corporation v. Horluck's, Inc.*, 59 Fed. (2d) 13, the plaintiff had been engaged in the business of manufacturing and selling malted milk for upwards of fifty years and had spent several million dollars in advertising its product. In 1928, the defendant was incorporated and marketed malted milk under its own name. The plaintiff's product was generally known as "Horlick's Malted Milk." The defendant's product was sold in various ways and also as "Horluck's Malted Milk." The plaintiff sought to enjoin the defendant from using the name "Horluck's" in connection with the advertising and sale of malted milk. The Circuit Court of Appeals for the Ninth Circuit acted in conformity with the principle stated above and gave the plaintiff relief, which it stated, "will still leave the defendant free to use its name in connection with its business in any lawful way and is in conformity with the decided cases, giving both the plaintiff and defendant ample protection of their respective rights." It appears at the very end of the opinion that the additional relief granted by the Circuit Court of Appeals provided that the defendant might not use its name in the possessive or plural form, such as "Horluck's" or "Horlucks," but permitted the use of the name "Horluck" in singular form.

In *Gleaves v. W. B. Fishburn Co.*, 82 Fed. (2d) 627, it appeared that W. B. Fishburn Incorporated had been organized for the purpose of conducting a cleaning and dyeing business in Fort Worth, Texas. The business was very successful, but in 1935 the plaintiff was appointed receiver. W. B. Fishburn, personally, had gone into bankruptcy in

1932 and his relationship with the company terminated. In 1934, Fishburn, together with others, organized the W. B. Fishburn Co., a corporation, to engage in the cleaning and dyeing business in Fort Worth. Every effort was made by the new company to distinguish its business from that of the old company, and the court found that what confusion there was, "arises solely from the similarity of names." Both the District Court and the Circuit Court of Appeals for the Fifth District refused to enjoin the use of the name "Fishburn," but ordered that the defendants distinguish their company's name "by inserting the words, 'not connected with the old W. B. Fishburn, Incorporated' directly following the name of 'W. B. Fishburn Company' in all advertising matter * * *."

2. The Circuit Court of Appeals did not decide the issues in accordance with the local law.

As the Special Master pointed out (369), the Michigan Supreme Court has said of claimed unfair competition that "each case is determined upon its own facts." *Good Housekeeping Shop v. Smitter,* 254 Mich. 592, 596; 236 N. W. 872. However, no Michigan case presents a factual situation where two business concerns having the same master name operated in the *same* city for many years, and in the normal course of their growth and development ultimately came to deal in some similar merchandise. Nevertheless, the Michigan Supreme Court has carefully expressed itself on the subject of unfair competition.

In *Young & Chaffee Furniture Company v. Chaffee Brothers Furniture Company,* 204 Mich. 293; 170 N. W. 48, three questions were raised by the plaintiff: (1) that the Michigan statute prohibited the assumption by a new corporation of a name already in use by an existing corporation or so nearly similar as to lead to uncertainty and con-

fusion; (2) that defendant had violated its duty to use its name so as to prevent confusion; and (3) because of the similarity of names, defendant's use of its corporate name was causing unfair competition as against the plaintiff.

The court held the plaintiff was not entitled to relief because of the statutory provision. At page 297 of the opinion, it went on to say:

> "The remaining questions may naturally be solved together. The law does not favor monopolies. Honest competition should not be stifled or prevented. It is unfair competition, unfair trade, which courts of equity prevent by injunction."

At page 298, the court said:

> "One may dispose of the right to use his name in connection with a certain business; he may so circumscribe himself as to be stopped from claiming the right to its use in that business; but generally speaking one has the right to use his own name; he may not use it in such a way as to lead the public to the belief that they are dealing with another, or that his wares are the wares of another; he may not by any artifice so use his name as to deceive the public into the belief that his establishment is the establishment of another, thereby bringing to himself profit not properly appertaining to himself and his business, and thus inflicting damage on his competitor."

The Michigan Supreme Court, however, has protected an existing business enterprise in a given city from unfair competition by a *newcomer in that city* who was about to do business under a similar name where there was a deliberate invasion of a new geographical area never before served by the newcomer. There are two such cases and the respondent relied heavily upon them.

In *Schwanneke v. Genesee Coal & Ice Co.*, 262 Mich. 624; 247 N. W. 761, the plaintiff, doing business as Genesee Coal Co., had been engaged in the business of selling coal and other fuel in the City of Saginaw for more than twenty-seven years. The defendant, Genesee Coal & Ice Co., organized in 1929, was engaged in the business indicated by its title in the City of Flint. In 1932 the defendant entered the City of Saginaw for the purpose of competing with the plaintiff. After citing authority to the effect that unfair competition ordinarily consists in deceptive practices and the palming off of one's goods as the goods of another, the court concluded its opinion with the following words (italics our):

> "• • • We have here a plaintiff who has been engaged in the coal business on Genesee Street in the city of Saginaw for 27 years. The defendant desires to compete with him therein, as it has a right to do. *It conceded that the use of its corporate name would doubtless lead to confusion and result in unfair competition.* It therefore assumed the name 'Genesee Ice & Fuel Company.' It needed not the word 'Genesee' in its name to inform the people of the city of Saginaw and surrounding territory that it was engaged in the ice and fuel business. It seems apparent that its purpose and design in the use of this name was to secure to itself a part of the business theretofore enjoyed by the plaintiff, and, in the language above quoted, 'they have no right, by imitative devices, to beguile the public into buying their wares under the impression they are buying those of their rivals.' "

In *Bell v. Service Coal Company*, 280 Mich. 172; 273 N. W. 435, the plaintiff had been doing business in the City of Royal Oak under the name Service Coal & Ice Company. The Service Coal Company, a corporation of the City of

Detroit, planned to invade the plaintiff's territory in the City of Royal Oak and compete with it. The court found that the defendant was diverting the plaintiff's customers *through deception.* It also found that plaintiff had priority in the adoption and use of its name in its locality.

In the case at bar no question of priority exists and it is not charged that the petitioner has attempted to deceive the public or act in bad faith or do anything but pursue its business in an honorable manner, and to continue the use of its own name in the normal expansion of its own business.

In this connection it should be pointed out that the establishment of the petitioner is much larger than that of the respondent, it sells a much larger variety of merchandise, and does a great deal more advertising than respondent (344).

CONCLUSION

The courts of this country have decided in many cases, of which those hereinbefore cited are typical, that one having an existing proprietary right to the use of a certain name will not be deprived of that right. Under certain circumstances he is required to distinguish his goods from those of others using similar names. These decisions have been consistent to the effect that no one can be deprived of the use of a name legitimately acquired so long as he does not use it *fraudulently,* even though others entitled to use a similar name may suffer some loss of trade.

A sound summarization of these holdings is given by the court in *Holland Furnace Co. v. New Holland Machine Co.,* 24 Fed. (2d) 751. In that case the defendant, whose business was confined to the manufacture and sale of farm

machinery, began to compete with the plaintiff, whose business was the manufacture of furnaces. The defendant's furnaces were close imitations of the plaintiff's furnaces both in structure and outward appearance, and in the use of the name "Holland." The question arose "whether or not the defendant should be restrained or limited in the use of its corporate name in connection with the sale of furnaces." The court found the defendant entered the field with the intent to take advantage of the similarity in names, and at page 755 said (italics ours):

> "In a case such as the present, where the defendant has not only not attempted to avoid the confusion, but has actually taken steps to aggravate it, he may be required to couple the use of his name with such words or phrases as may be necessary to prevent unfair diversion to him of another's business. This may not be complete and adequate protection, *but I find no authority going to the extent of holding that either an individual or a corporation can be deprived absolutely of the right to use his own name in a line of business, even though it is coupled with an unfair intent.* An order will be granted, enjoining the defendant's displaying its corporate name upon its product, unless accompanied by words or phrases which will clearly distinguish it from the plaintiff's."

It is apparent from the foregoing authorities that,

(a) the petitioner has the right to the use of its own name in the sale of men's clothing;

(b) the practices it offers to observe to avoid the possibility of mistake on the part of the public go farther than any practices ordered in the reported cases;

(c) the refusal of the respondent to agree to the adoption of these practices indicates its desire for a monopoly

in the use of the word "Finsterwald" rather than protection against what it terms unfair competition;

(d) the decision of the court below in restraining petitioner from the use of its own name in the sale of clothing conflicts with the decisions of this Court and of Circuit Courts of Appeals of other circuits.

It is respectfully submitted, therefore, that the accompanying petition for a writ of certiorari ought to be granted.

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